

EXHIBIT NO. ____ (DOD-2)
DOCKET NO. UE-121373
WITNESS: DANIELLE O. DIXON

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Petition of

PUGET SOUND ENERGY, INC.

**for Approval of a Power Purchase Agreement
for Acquisition of Coal Transition Power, as
Defined in RCW 80.80.010, and the Recovery
of Related Acquisition Costs**

Docket No. UE-121373

**FIRST EXHIBIT TO THE
PREFILED DIRECT TESTIMONY OF
DANIELLE O. DIXON
ON BEHALF OF NW ENERGY COALITION**

NOVEMBER 2, 2012

Memorandum of Understanding

Having reached an agreement in principle in March 2011, and worked together to successfully pass legislation in Washington State¹ to transition the coal-fired power plant owned by TransAlta in Centralia, Washington away from combustion of coal, TransAlta, Climate Solutions, the NW Energy Coalition, the Sierra Club and the Washington Environmental Council agree to:

1. Mutually support and advocate to the US EPA regarding the agreement they have reached to transition the facility, pursuant to the terms of the 2011 legislation.
2. Accept and not oppose the sale of coal transition power from the facility to potential buyers and be willing to speak to the positive environmental outcomes resulting from any sale, the agreement, and the legislation.
3. Mutually support or not oppose, consistent with each group's customary roles and activities, the approval of power sales of coal transition power by the Washington Utilities and Transportation Commission, or any other appropriate regulatory body if the power sales contract is in the public interest.
4. Ensure that sales from the plant for the remaining duration of its operations support appropriate investments in community transition and economic development, energy efficiency and clean energy as articulated in the legislation and MOA.

The parties acknowledge that the Memorandum of Agreement between Washington state and TransAlta stipulates that the agreement can be terminated if long-term power purchase agreements are not achieved by December 2012 (or December 2013 if extended).² The parties desire to see sufficient long term power sales to fully preserve the benefits to the company, community and the environment that are contained in the MOA.


This memorandum of understanding between the undersigned parties expires December 31, 2025 or on the day the Memorandum of Agreement referenced above is terminated or expires.



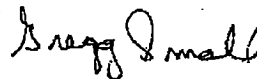
Paul Taylor Date: June 26, 2012
President, TransAlta Centralia
Generation, LLC

See signature page attached

Bruce Nilles Date: 6/22/2012
Senior Director, Sierra Club



Joan Crooks Date: 6/22/2012
Executive Director, Washington
Environmental Council



Gregg Small Date: 6/21/2012
Executive Director, Climate Solutions



Sara Patton Date: 6/22/2012
Executive Director, NW Energy Coalition

¹ <http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5769&year=2011>

² MOA, agreements #3 and #8(c)

Memorandum of Understanding

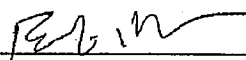
Having reached an agreement in principle in March 2011, and worked together to successfully pass legislation in Washington State¹ to transition the coal-fired power plant owned by TransAlta in Centralia, Washington away from combustion of coal, TransAlta, Climate Solutions, the NW Energy Coalition, the Sierra Club and the Washington Environmental Council agree to:

1. Mutually support and advocate to the US EPA regarding the agreement they have reached to transition the facility, pursuant to the terms of the 2011 legislation.
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3. Mutually support or not oppose, consistent with each group's customary roles and activities, the approval of power sales of coal transition power by the Washington Utilities and Transportation Commission, or any other appropriate regulatory body if the power sales contract is in the public interest.
4. Ensure that sales from the plant for the remaining duration of its operations support appropriate investments in community transition and economic development, energy efficiency and clean energy as articulated in the legislation and MOA.

The parties acknowledge that the Memorandum of Agreement between Washington state and TransAlta stipulates that the agreement can be terminated if specified long-term power purchase agreements are not achieved by December 2012 (or December 2013 if extended).² The parties desire to see sufficient long term power sales to fully preserve the benefits to the company, community and the environment that are contained in the MOA.

This memorandum of understanding between the undersigned parties expires December 31, 2025 or on the day the Memorandum of Agreement referenced above is terminated or expires.

Paul Taylor Date: _____
President, TransAlta Centralia
Generation, LLC



Bruce Nilles Date: June 22, 2012
Senior Director, Sierra Club

Joan Crooks Date: _____
Executive Director, Washington
Environmental Council

Gregg Small Date: _____
Executive Director, Climate Solutions

Sara Patton Date: _____
Executive Director, NW Energy
Coalition

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